

Proceedings

LOUISIANA DEPARTMENT OF AGRICULTURE & FORESTRY

**Dairy Stabilization Board
Veterans' Memorial Auditorium
5825 Florida Boulevard
Baton Rouge, LA 70806**

10:00 a.m., November 13, 2008

I. Call to Order:

Chairman Hillar Moore, Jr., called meeting to order at 10:00 a.m.

II. Roll Call and Declaration of Quorum

Mr. Hillar Moore, Jr.
Mr. Vernon Toups
Mr. Gerry R. Lane
Mr. Daryl Robertson
Mr. Dean Graner

Absent: Ms. Mary Caplinger
Mr. Vincent Cannata

There were five (5) members present. Mr. Hillar Moore, Jr., Chairman, declared there was a quorum present as required to conduct official business.

Staff Members Present:

Assistant Commissioner, Benjy Rayburn
Director of the Dairy Stabilization Board, Bob Simon
Assistant Division Director, David Meche
Assistant Director, Dairy Stabilization Board, Danny McCartney
Secretary, Gail Moutz
Auditor Director Mark Tillman
Commissioner Mike Strain

Guests Present:

Gerald Simmons, Louisiana Dairy Products
Leslie Gauren, Kleinpeter
Dr. Gary Hay, LSU
Gary Cazaubon, Department of Health and Hospitals
Cal Simpson, Bluebell Creameries

III. Election of Officers

A motion was made by Mr. Vernon Toups and seconded by Mr. Gerry Lane to nominate Mr. Hillar Moore as Chairman of the Dairy Stabilization Board. The motion passed unanimously.

A motion was made by Mr. Hillar Moore and seconded by Mr. Daryl Robertson to nominate Mr. Vernon Toups as Vice-Chairman of the Dairy Stabilization Board. The motion passed unanimously.

A motion was made by Mr. Daryl Robertson and seconded by Mr. Gerry Lane to nominate Mr. Dean Graner as Secretary of the Dairy Stabilization Board. The motion passed unanimously.

IV. Adoption of Minutes – May 28, 2008

A motion was made by Mr. Gerry Lane and seconded by Mr. Dean Graner to approve the minutes. The motion passed unanimously.

Mr. Hillar Moore asked everyone present to introduce themselves.

V. Review of Financial Statement

Mr. Bob Simon, Director of the Dairy Stabilization Board, stated that comparing the Fiscal years, the amount of assessments have not had much of a change.

Mr. Simon also stated based on assessment information collected from the dairy plants for the months after the hurricane of 2008 assessments were down \$3000-\$4000 which is not as bad as expected because several plants could not sell their products.

A motion was made by Mr. Vernon Toups and seconded by Mr. Dean Graner to approve the Financial Statement. The motion passed unanimously.

VI. Reports

A. Commissioner Mike Strain, DVM

Commissioner Mike Strain thanked the Dairy Stabilization Board for their service and the opportunity to speak to them.

Commissioner Strain reported on the following:

1. There are 26 boards and commissions in the Louisiana Department of Agriculture and Forestry which are vital to the Louisiana Department of Agriculture and Forestry. The Dairy Stabilization Board is very critical to the Louisiana Department of Agriculture and Forestry and Louisiana.

2. Within the last ten years there has been a loss of dairy farms with approximately 200 farmers remaining in Louisiana.
3. There are challenges to the dairy industry. There is continued pressure to produce milk products at an affordable price, but there have been increases in feed, fuel, fertilizers and secondary costs that are very difficult to overcome. There must be a stable price to keep the dairy farmers in business and stabilize this industry.
5. The Commissioner believes the final answer for the dairy stabilization industry is a mutual dairy compact that would put price stabilization into effect to keep farms in business. He added there is a new program called the Dairy Tax Credit that is helping the farmers.

B. Dr. Gary Hay – Milk Supply in Southeast

Dr. Hay reported the following:

1. According to the Federal Orders, milk production in the state of Louisiana was down 50% during 2000-2007. There was approximately 358 million pounds of production in this state in 2008 and in 2009 is projected to be down approximately fifty million pounds. There are several southeastern states experiencing the same problem.
2. In the Southeast the consumer demand for bottled milk is down slightly. Louisiana producers produce about 45% of milk that is bottled in Louisiana. The remainder is being produced in Florida and Texas. There are approximately 125 cows per herd, which has remained constant for the last fifteen years. There are approximately 100-120 fewer farms in Louisiana now than seven or eight years ago.
3. FDA projected in 2008 there would be a drop in milk prices of approximately two dollars and reports have shown this started to occur in September, 2008. There are concerns in 2009 that due to the international economic recession, there will be a possible decrease in the consumer's demand for cheese which will have a huge impact on farm milk prices.
4. Louisiana's industry is centered in the Florida Parishes which make up about 85% of Louisiana's dairy farms. There has been urban and suburban growth and dairy property is being sold off due to property values.

C. Gary Cazaubon, DHH, Chief Administrator – Current Issues

Mr. Cazaubon reported on the following current issues in Louisiana:

1. There is a program that is being piloted by the NCIMS certifying international processors to sell dairy products in the United States and the dairy industry is concerned about their regulations to manufacture cheese and

yogurt not being equivalent to Louisiana. It is important that regulations are equivalent to Louisiana in manufacturing dairy products.

2. The Louisiana dairy industry was less impacted by the two recent hurricanes Gustav and Ike in 2008 than the last two hurricanes, Katrina and Rita in 2005. There were no plants shut down and the dairy farmers were more prepared thanks to the Louisiana Department of Agriculture and Forestry providing generators and fuel. He further stated unfortunately, 25,000 lbs. of milk was lost on the farms due to lack of refrigeration and had to be destroyed. The dollar amount of lost milk was approximately \$31,000.

3. There is a decline in the Louisiana dairy industry from ten years ago when there were 585 producers and now there are 192 farms that produce approximately one million pounds a day.

4. There are six dairy plants in Louisiana approved for interstate milk shipment. They are Kleinpeter Dairy in Baton Rouge, Bordens Dairy in Lafayette, Foremost Dairy in Shreveport, Dairy Fresh in Baker, Brown's Dairy in New Orleans, and Sunshine State Dairy (formerly Winn Dixie) in Hammond.

5. Majority of Louisiana's raw milk is coming from Texas and New Mexico, (approximately 75%).

6. There is significant growth in small plants, such as John Folse, Smith Creamery and Mauthe. Interest is growing for ethnic markets such as hispanic and farmer's markets, but is a problem to regulate. Surveys are performed periodically.

D. Benjy Rayburn – Assistant Commissioner of Agro Consumer Services – Weights and Measures Activities

Mr. Benjy Rayburn gave a report on the following:

1. Weight and Measures Division responsibilities cover every transaction in the state of Louisiana that has anything to do with weight, measure. The biggest area this year has been motor fuel regulations, inspecting dispenses accuracy and fuel quality.

2. The division inspects approximately 64,000 fuel nozzles a year. So far this year 57,000 nozzles have been inspected. There were over 800 complaints which is a record year, driven by high prices. All were responded to and investigated. Accuracy overall runs between 95%-96%.

3. There were 964 sample tests conducted in the fuel testing lab. The majority of those samples taken were complaint related, but the Louisiana Department of Agriculture and Forestry has a program in place to take random samples.

4. There were approximately 20,000 commercial scales inspected in the state.
5. There are 29,000 scanning devices in 4000 locations. Price scanners are inspected in any business that uses scanners. The devices must have 98% accuracy from the shelf to the checkout counter. The accuracy to pass the requirements depends on the size and location.
6. There are approximately 2800 taxi cabs that meter inspections are performed on. The biggest market is New Orleans and other areas include Baton Rouge, Shreveport, Monroe, Lake Charles and Lafayette. The Weights and Measures Division works with the city of New Orleans who issues cab permits. A taxi cab operator's meter must be checked by our inspectors and passed before they can be licensed by the city of New Orleans.
7. The Dairy Tax Credit was passed by the legislature and applied initially to tax years of 2007-2008. The first year of the program was administered in 2007. Two quarters qualified in 2007 based on price of milk and production costs. Dr. Wayne Gauthier, LSU, assisted to come up with production costs. There were 207 dairymen eligible for a tax credit refund in 2007. The dollar amount of credits amounted to \$1,257,500. The credit range was as high as \$15,000 and low as \$2500, based on production. This program will be available again in 2008. Based on current information, a maximum of two quarters will be eligible again.

VII. Old Business

Mr. Bob Simon reported that marketing conditions have been stable. There are in excess of sixty different milk products in the market. There are only seven plants in Louisiana and 87 processors licensed overall. The Dairy Division works with Mr. Gary Cazaubon, Department of Health and Hospitals, Dairy Division, who permits the processors. Once they are permitted, Mr. Cazaubon notifies the Dairy Division and the Dairy Division licenses the processors. There are approximately 40 ice cream frozen dessert products in the state and one ice cream manufacturing plant, Kleinpeter Dairy, which has been in operation for the last ten months. These companies pay assessments to the Dairy Division monthly and there have been no problems with the processors in state, out of state, or retailers in the state.

IX. New Business

Mr. Bob Simon reported on a recent settlement agreement between the Louisiana Department of Agriculture and Forestry and Target. Mr. Simon stated that in 2002, Target, a retailer in the market place, sold ice cream below cost. A settlement agreement was signed with a figure of \$10,000, \$7500 was suspended and a penalty of \$2500 was paid, with a probationary period of two years. Mr. Simon stated in June of 2007, it was reported to him that Target was giving away pints of Archer Farms ice cream, Target's private label, but manufactured by another company.

Mr. Simon investigated, contacted Target's legal counsel and this action was immediately terminated. This was Target's second offense in six years and they agreed to a settlement agreement of \$15,000, \$10,000 was suspended, \$5,000 paid and Target is now on a 36 month probation.

A motion was made by Mr. Vernon Toups to approve the settlement agreement and the motion was seconded by Mr. Dean Graner. The motion carried unanimously.

At the last meeting it was brought up that a thank you letter be sent to Mr. Jim Gelpi, past legal counsel for The Louisiana Department of Agriculture and Forestry for his service to the Dairy Division. A letter was sent to Mr. Jim Gelpi.

X. Public Comments

None

XI. Date for the next meeting

The date for the next Dairy Stabilization Board meeting will be determined at a later date.

XII. Adjournment

A motion was made by Mr. Vernon Toups and seconded by Mr. Dean Graner to adjourn the Dairy Stabilization Board meeting. The motion carried unanimously.

Dean Graner, Secretary
Louisiana Dairy Stabilization Board